

Statement of

VIETNAM VETERANS OF AMERICA

Submitted for the record by

Richard Weidman
Director of Government Relations

Before the
House Veterans Affairs Subcommittee on Health

Regarding
H.R. 3645, the “Veterans Health Care Items Procurement Reform and
Improvement Act of 2002”

June 26, 2002

Mr. Chairman, my name is Rick Weidman, and I serve as Director of Government Relations for Vietnam Veterans of America (VVA). On behalf of VVA, I thank you for this opportunity to express our views on the issue of much needed procurement reform at the United States Department of Veterans Affairs (VA), as well as elsewhere in the Federal government.

VVA very strongly favors the intent of H.R. 3645, the "Veterans Health Care Items Procurement Reform and Improvement Act of 2002. VVA commends Mr. Evans, Mr. Filner, and the other original co-sponsors (as well as their staff) for all of the hard work that led to development of this important initiative. In general, VVA supports the bill as written, but would like to see some additional provisions inserted into the final version of the bill.

VVA has testified for years about the need for more accountability on the part of VA for how effectively and efficiently they spend the funds allocated to them, particularly to the Veterans Health Administration (VHA). VVA believes that not enough is spent on the VHA. However, VVA is just as concerned about management accountability for delivery of health care in their area of operations, particularly the way in which money is allocated at the Veterans Integrated Services Network (VISN) level and at the VA Medical Center level.

VVA recommends that report language be included in the FY 2003 budget that VA produce a financial tracking system that is accurate by FY 2005, and that there be clear milestones and objectives toward this end that must be met in FY 03 and FY 04. Progress in achieving these milestones must be demonstrated to the Congress before anyone in management of Information Technology of the administrative and "business" areas of the Veterans Health Administration (VHA) get a bonus or presidential award.

VVA recommends that VA be required to produce a "real-time" Management Information System" (MIS) that works accurately by FY 2005, with similar milestones and consequences if those milestones are not met in FY 03 and FY 04. Further, VVA recommends that all bonuses and clear measurable criteria for bonuses for GS14/15 and SES personnel be fully transparent to the veteran users of the medical system and to the public.

The abuses that H.R. 3645 is designed to correct are part of the same corporate culture that the above recommendations are designed to address. This is a corporate culture that is bereft of any passion for the VA's mission: to properly assist the men and women who have been harmed or injured by military service. It is a corporate culture that would give bonuses to VISN Directors who have so utterly ignored their responsibility to veterans in the hospitals under their control that lice infect their bodies. This is the same corporate culture that would give maximum bonuses to SES Regional Office (RO) Directors whose

RO is an absolute disaster. (VVA hopes that the practice of awarding merit bonuses as “sharing of the spoils” will come to an end under Admiral Cooper.)

The abuse of the procurement system in many VISNs resembles what those of us who grew up in New York refer to as “brother-in-law” contracts. These are contracts that one lets to one’s never-do-well brother-in-law or to organized crime and other shady characters for the basest of motives. The design of H.R. 3645 is such that it is intended to force letting contracts back onto the nationally negotiated schedules at the lowest possible price. The effort is to get the best possible deal for the VA as the steward of the Veterans’ Hospital.

VVA agrees with the intent of forcing the use of a Federal Supply Schedule contracts or national contracts, except in certain situations as indicated in Section 8125 of Section 2 of the proposed legislation, in order to insure that taxpayer dollars be stretched to secure the greatest amount of good. Apparently, many contracts have been let at the local and VISN level that do not meet anyone’s test of proper federal procurement or any of the tenets of the Government Results and Performance Act (GPRA). Under 8125(b)(1)(D) on page 3, lines through 10, VVA urges in the strongest possible terms adding a provision that requires the contracting with service-disabled owned and operated businesses, irrespective of any other section of federal law, in the letting of local contracts. Any exception to the above should be made in individual cases expressly by the Secretary of Veterans Affairs.

VVA also urges an additional provision requiring that all national contracts entered into by the National Acquisition Center of the Department of Veterans Affairs or another Department Procurement activity be required to adhere to the goal to award 3% of all prime contracts to service-disabled-veteran owned and operated businesses, and that all prime contractors be held to a standard of subcontracting not less than 3% of the total contract with service-disabled-veteran owned and operated businesses. For this purpose, such service-disabled-veteran owned and operated businesses shall have relaxed cost parity of up to 10%.

Public Law 106-50, the Veterans Entrepreneurship & Small Business Act of 1999, was enacted on August 17, 1999. The bill in the House was drafted by House Small Business Committee staff, with Veterans Affairs Committee staff from both sides of the aisle actively participating in the effort. In short, this law was as much a product of this committee as it was of the Small Business Committee.

Public Law 106-50 raised expectations of service-disabled veterans all across the country, prompting many to stretch their investments in their businesses to the maximum and beyond, based on the promises of the U.S. Congress contained that law. Thanks to the nonfeasance, dilatory tactics, and just plain hubris and sloth of the Small Business Administration and others in the Executive Branch under two successive administrations,

the procurement goals at federal departments and agencies envisioned by that law are thus far a total failure, including at the VA.

While VVA believes that Secretary Principi truly wants to dramatically increase purchases of goods and services from service-disabled-veteran owned and operated small businesses, the effort has thus far yielded a result of about .25 of 1% in the latest figures. (This figure may be somewhat low, as it is an “unscrubbed” first year data collection figure. However, VVA is certain that even the VA is far from meeting the minimum level of 3% in prime contracts and 3% minimum in subcontracts for each prime contract.)

VVA believes that this lack of progress is due to several things, one of which is addressed in the bill as drafted: namely, the capriciousness of locally awarded contracts in some places that results in overpriced items that should cost far less and in freezing out those businesses that are not part of the club of good old boys and gals who have been doing business with local procurement officials for years. By and large, this does not include service-disabled businesses.

The General Services Administration (GSA) schedule is designed in such a way that small businesses, particularly service-disabled veteran-owned businesses, can and are virtually excluded by very large companies. Once on the schedule, there is no renewal or “sunset” for such federal suppliers, so they have literally told service-disabled businesses owners that they “do not need disabled veterans.” In other words, they do not have to be concerned with any subcontracting, much less with service-disabled-veteran owned enterprises (SDVBE). VVA believes that this must change, and this bill may be one way to start addressing this need. To limit procurement to national contracts and schedules that are clearly discriminating against disabled-veteran business owners is just plain wrong.

There are four pressing needs in VVA’s view, Mr. Chairman. One, there is the need to change the corporate culture of VA, especially VHA, to one of true accountability for the effectiveness and efficiency of the delivery of vitally needed services to veterans. A key element of this effort is to ensure that local procurement operations are not needlessly spending more than is needed to secure medical items, pharmaceuticals, and other goods and services for VA hospitals. This proposed legislation, if properly modified, could be a first step toward preventing such abuses at the local and regional level.

Two, VVA believes that there is a need to closely examine the national contracts and the national schedules, especially pricing practices and possible limiting of supplies of key items. While the same may also hold true of other key medical supplies and equipment, it is certainly true that extraordinarily high prices and extreme shortages of some medications is an area VVA is sure merits very close congressional scrutiny.

An example of this is that the price of pegylated interferon hepatitis C virus (HCV) treatment is reportedly over \$25,000 per veteran for each course of treatment. Even at this extraordinary price, VA claims that they cannot secure enough of the drug from the manufacturer to eliminate at least a three-month backlog of veterans determined to be good candidates for treatment to receive the drug. The fault lies either in the manufacturer withholding the medication by artificially limiting supplies, or by VA limiting supply of the medication because they do not have the money to pay for it. In either case, it is a procurement problem of grave proportions that is jeopardizing the lives of veterans diagnosed by the VA with hepatitis C.

Third, there is a pressing need to examine all national contracts and the Federal Supply schedule as to pricing, quality, appropriateness, and fairness to small business on a regular and recurrent basis. This is particularly true as to the inclusion of small businesses in the mix of firms, especially service-disabled-veteran owned enterprises (SDVBE). Unless there is equity at the outset in these national contracts and GSA schedules we will never achieve the target of 22% of all federal procurement being from small businesses and a minimum of 3% of all prime contracts go to SDVBE and that a minimum of 3% of all prime contracts subcontracts with SDVBE.

Fourth, VVA urges the Committee to use the Report of Secretary Principi's Procurement Reform Task Force, which was completed in May as a basis for much of your further work that needs to be done in this area.

The Procurement Task Force set five worthy goals: 1) Leverage purchasing power of VA. 2) Standardize commodities within VA. 3) Obtain and improve comprehensive VA procurement information. 4) Improve VA procurement organizational effectiveness. 5) Ensure a sufficient and talented VA acquisition workforce.

VVA would respectfully suggest that there should be two further goals; namely, 6) Ensure that small business goals of 22% for all small businesses and at least a minimum of 3% of all primes and of all subcontracts go to SDVBE be achieved at every level of VA. 7) Ensure that every tool is employed so that managers at every level of the procurement system are held fully accountable for the effectiveness and efficiency of their area of operations.

The details of this 60-page report (with an additional 15 pages of useful appendices) should prove to be of assistance to you in your work in this area, which is so vital in bringing true accountability to the Veterans Health Administration. While we need sharply increased resources in the veterans health care system, we also must do all possible to ensure that every dollar is spent wisely and well.

In addition to the points made above, VVA urges that the Committee build in strong reporting requirements on a regular basis, as well as specific timetables and measurable

objectives to any legislation that you report to the full Congress, this last point being very important in the case of procurement reform.

Lastly, VVA urges that the full Committee, and its subcommittees examine how well Public Law 106-50 is working three years after enactment. VVA believes, along with our colleagues at the other major veteran and small business organizations, that major additions to the 1999 law are in order to make the congressional vision a reality.

Mr. Chairman, on behalf of Vietnam Veterans of America, I thank you and your distinguished colleagues for the opportunity to respectfully offer our suggestions in regard to H.R. 3645, the “Veterans Health-Care Items Procurement Reform and Improvement Act of 2002.”

VIETNAM VETERANS OF AMERICA
Funding Statement
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The national organization Vietnam Veterans of America (VVA) is a non-profit veterans membership organization registered as a 501(c)(19) with the Internal Revenue Service. VVA is also appropriately registered with the Secretary of the Senate and the Clerk of the House of Representatives in compliance with the Lobbying Disclosure Act of 1995.

VVA is not currently in receipt of any federal grant or contract, other than the routine allocation of office space and associated resources in VA Regional Offices for outreach and direct services through its Veterans Benefits Program (Service Representatives). This is also true of the previous two fiscal years.

For Further Information, Contact:

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Richard F. “Rick” Weidman serves as Director of Government Relations on the national staff of Vietnam Veterans of America. As such, he is the primary spokesperson for VVA in Washington. He served as a 1-A-O Army Medical Corpsman during the Vietnam War, including service with Company C, 23rd Med, AMERICAL Division, located in I Corps of Vietnam in 1969.

Mr. Weidman was part of the staff of VVA from 1979 to 1987, serving variously as Membership Service Director, Agency Liaison, and Director of Government Relations. He left VVA to serve in the Administration of Governor Mario M. Cuomo (NY) as statewide director of veterans employment & training (State Veterans Programs Administrator) for the New York State Department of Labor.

He has served as Consultant on Legislative Affairs to the National Coalition for Homeless Veterans (NCHV), and served at various times on the VA Readjustment Advisory Committee, the Secretary of Labor’s Advisory Committee on Veterans Employment & Training, the President’s Committee on Employment of Persons with Disabilities - Subcommittee on Disabled Veterans, Advisory Committee on Veterans’ Entrepreneurship at the Small Business Administration, and numerous other advocacy posts in veteran affairs.

Mr. Weidman was an instructor and administrator at Johnson State College (Vermont) in the 1970s, where he was also active in community and veterans affairs. He attended Colgate University (B.A., 1967), and did graduate study at the University of Vermont.

He is married and has four children.